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March 26, 2007

FLORENCE P. BELSER
GENERAL COUNSEL

VIA E-FILING AND HAND DELIVERY

shudson@regstaff.sc.gov

Charles L.A. Terreni, Esquire
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Annual Review of Base Rates for Fuel Costs for South Carolina Electric and Gas Company
Docket No. 2007-2-E

Dear Mr. Terreni:

In the continuing review of Public Service Commission of South Carolina Docket No. 2007-2-E, it has been discovered that an error occurred in calculating the appropriate fuel factor.

Accordingly, please find enclosed the original and one copy of the Revised Settlement Agreement in the above referenced docket reflecting a reduction of the fuel factor.

Please note that the attached documents are exact duplicates, with the exception of the form of the signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions.

By copy of this letter we are also serving all other parties of record. Please let me know if you have any questions.

Sincerely,

Shannon Bowyer Hudson
Jeffrey M. Nelson

SBH/pjm
Enclosure

cc: Scott Elliott, Esquire
Catherine D. Taylor, Esquire
K. Chad Burgess, Esquire
Belton T. Zeigler, Esquire
John P. Boyd, Esquire
Mitchell M. Willoughby, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-2-E

March 26, 2007

IN RE:)	
)	
South Carolina Electric & Gas Company -)	REVISED
Annual Review of Base Rates for)	SETTLEMENT AGREEMENT
Fuel Costs)	
)	
_____)	

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff (“ORS”), South Carolina Energy Users Committee (“SCEUC”) and South Carolina Electric & Gas Company (“SCE&G”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (“Commission”) pursuant to the procedure established in S.C. Code Ann. §58-27-865, and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement would be in their best interest;

WHEREAS, following these discussions the Parties have each determined that their interest and the public interest would be best served by settling this matter in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the direct testimony and exhibits of the following witnesses without objection, change, amendment or cross-examination with the exception that the parties agree that: 1) on page 5, line 13 of the direct testimony of Joseph M. Lynch, \$9.20 should be amended to read \$8.44; 2) page 2 of 2 of Exhibit MAJ-1 to the testimony of M. Anthony James, should be replaced with Revised Exhibit MAJ-1, page 2 of 2 which is attached as Exhibit A; and 3) on page 4, lines 5 and 10 of the direct testimony of John R. Hendrix, 2.632 should be amended to read 2.630, Exhibit No.__(JRH-2) should be replaced with Revised Exhibit No. __(JRH-2) which is attached as Exhibit B, and Exhibit No. __(JRH-3) should be replaced with Revised Exhibit No.__(JRH-3) which is attached as Exhibit C.

A. SCE&G witnesses:

- (1) Thomas D. Gatlin
- (2) Joseph K. Todd
- (3) Gerhard Haimberger
- (4) Joseph M. Lynch
- (5) John R. Hendrix

B. ORS witnesses:

- (1) M. Anthony James
- (2) Jacqueline R. Cherry

2. As a compromise, all Parties adopt, accept, and acknowledge as the agreement of the Parties that:

- A. SCE&G's under recovered fuel cost balance for the period February 1, 2006 through April 30, 2007 is projected to be the amount of \$38,554,712. This under recovery consists of historical under recovered costs for the period February 1, 2006

through January 31, 2007, offset by the estimated over recovered costs for the period February 1, 2007 through April 30, 2007.

- B. The appropriate fuel factor for SCE&G to charge for the period beginning with the first billing cycle in May 2007 extending through the last billing cycle of April 2008 is 2.630 cents per kwh, which includes 0.172 cents per kwh to recover the under recovered fuel costs described in paragraph 2(A).
- C. The Parties agree that any and all challenges to SCE&G's historical fuel cost recovery for the period ending January 31, 2007 are not subject to further review; however, projected fuel costs for periods beginning on February 1, 2007 and thereafter shall be open issues and will be determined in future proceedings held under S.C. Code Ann. § 58-27-865.
- D. The Parties agree to accept all accounting adjustments as put forth in ORS witness Jacqueline R. Cherry's testimony.
- E. The Parties agree that in establishing the fuel cost recovery factors contained herein, the terms of Paragraph 2(C) of Exhibit 1 to Order No. 2006-235(A) (i.e., the 2006 Settlement Agreement) have been applied to calculate carrying costs on the balance of under recovery for the period May 1, 2007 to April 30, 2008 as provided for in the 2006 Settlement Agreement. The terms of the 2006 Settlement Agreement that are applicable to the calculation of carrying costs on the balance of under recovery for the period May 1, 2007 to April 30, 2008 shall apply under this Settlement Agreement.
- F. SCE&G agrees to provide to ORS and SCEUC the following:
 - (1) Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
 - (2) Quarterly forecasts beginning with the quarter ending June 30, 2007 of the expected fuel factor to be set at SCE&G's next annual fuel proceeding and SCE&G's historical over/under recovery to date. SCE&G agrees it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding, however, all Parties agree that these quarterly forecasts will not be admitted into evidence in any future SCE&G proceedings.

3. The Parties agree this Settlement Agreement is reasonable, in the public interest and in accordance with law and regulatory policy.

4. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code §58-4-10(B) (added by Act 175). S.C. Code §58-4-10(B)(1) through (3) reads in part as follows:

“...‘public interest’ means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State’s public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.”

5. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

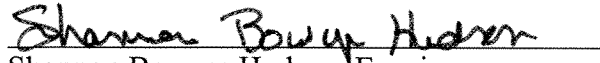
6. This written Settlement Agreement contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. This Settlement Agreement integrates all discussions among the Parties into the terms of this written document. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will the Settlement Agreement, or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve the Settlement Agreement in its

entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

7. This Settlement Agreement shall be interpreted according to South Carolina law. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

WE AGREE:

Representing and binding the South Carolina Office of Regulatory Staff



Shannon Bowyer Hudson, Esquire

Jeffrey M. Nelson, Esquire

South Carolina Office of Regulatory Staff

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WE AGREE:

Representing and binding South Carolina Energy Users Committee



Scott Elliott, Esquire

Elliott & Elliott, P.A.

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Columbia, SC 29205


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Fax: (803) 771-8010


Email: selliott@elliottlaw.us

WE AGREE:

Representing and binding South Carolina Electric & Gas Company

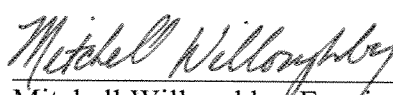


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Signed by KCB
As Authorized by BTZ



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Signed by KCB
As Authorized by MW

Office of Regulatory Staff
Power Plant Performance Data Report
Capacity Factors (Percentage) for
South Carolina Electric & Gas Company

PLANT	UNIT	MW RATING	HISTORICAL DATA					REVIEW PERIOD (ACTUAL) DATA											
			YEAR	YEAR	YEAR	YEAR	YEAR	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
			2003	2004	2005	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2007
CANADYS	1	105	80.7	82.9	81.9	69.0	70.6	78.2	61.5	28.3	85.2	89.6	82.3	60.4	91.8	82.6	86.0	33.4	
CANADYS	2	116	79.7	79.7	69.2	69.9	62.0	80.7	21.3	70.8	82.5	83.8	79.6	82.2	38.1	87.2	80.2	75.7	
CANADYS	3	185	51.1	75.9	48.5	71.8	70.5	87.0	62.0	78.5	75.1	71.6	74.2	81.0	82.3	45.7	85.3	78.7	
McMEEKIN	1	125	68.9	73.2	80.3	76.5	92.0	64.0	90.9	78.3	78.9	87.9	92.5	82.7	12.9	67.4	89.9	90.8	
McMEEKIN	2	125	69.1	65.9	83.3	73.0	91.3	87.5	67.4	74.2	82.7	87.6	92.8	83.3	74.6	13.0	69.9	87.1	
URQUHART	3	94	74.7	76.4	73.2	80.7	83.4	86.1	63.7	55.2	88.9	91.2	94.4	88.2	89.6	65.9	79.2	93.0	
WATEREE	1	350	69.7	84.2	83.8	79.3	77.6	94.1	64.1	73.7	91.7	74.5	80.5	46.8	92.9	90.6	88.7	82.1	
WATEREE	2	350	69.8	81.2	85.5	60.5	88.8	87.3	66.1	90.1	92.7	94.4	92.1	44.8	0.0	0.0	0.2	24.5	
WILLIAMS		615	67.7	66.6	89.1	83.4	80.3	36.9	94.9	95.7	91.3	92.1	95.7	90.7	70.4	97.5	62.1	0.0	
COPE		420	78.5	92.7	83.3	93.1	98.1	99.1	42.9	89.1	98.1	98.7	98.1	98.7	99.6	95.7	100.0	93.3	
FOSSIL TOTALS		2485	70.9	78.8	81.9	78.2	83.4	75.8	67.7	81.9	89.7	88.6	90.2	76.1	66.9	70.6	69.5	54.1	
URQUHART CC	5	165	n/a	n/a	10.5	18.0	8.0	5.6	17.9	11.1	21.1	39.3	55.3	14.2	17.0	14.3	7.9	34.0	
URQUHART CC	1	66	n/a	n/a	10.8	20.4	8.4	5.9	19.6	12.4	23.2	43.9	64.0	15.6	19.7	15.8	8.7	37.5	
URQUHART CC	6	173	n/a	n/a	6.9	15.5	6.2	8.4	10.4	12.7	18.5	52.0	42.2	5.7	9.3	14.4	4.5	28.7	
URQUHART CC	2	68	n/a	n/a	8.2	17.6	7.0	9.7	11.5	14.4	20.8	60.1	46.6	6.5	11.1	16.6	4.9	31.8	
JASPER CC	1	165	n/a	n/a	21.4	25.2	5.1	0.0	0.3	4.9	33.2	41.7	62.0	24.5	48.9	54.3	26.2	57.5	
JASPER CC	2	165	n/a	n/a	24.7	27.1	8.5	0.0	2.3	4.2	42.3	54.0	49.5	31.0	58.2	49.2	20.4	39.1	
JASPER CC	3	165	n/a	n/a	26.2	25.2	8.5	0.0	7.3	2.4	38.1	54.0	47.3	28.4	39.6	59.5	15.5	52.9	
JASPER CC	4	385	n/a	n/a	18.4	19.6	4.1	0.0	0.0	2.3	28.9	41.0	44.8	19.4	36.9	41.0	15.0	34.5	
TOTAL CC CAP.		1352	n/a	n/a	17.2	21.1	6.4	2.5	6.2	6.4	29.2	46.6	49.7	19.3	33.2	36.8	14.0	39.3	
V.C. SUMMER (SCE&G)		966	86.9	96.5	87.7	88.3	101.5	101.7	101.6	98.2	98.3	99.0	99.3	99.7	40.3	17.3	100.9	101.1	
(SCPSA)*		644																	
		322																	

Note 1: The lifetime capacity factor for V.C.Summer through December 2006 is 81.2%

Note 2: SCPSA represents the South Carolina Public Service Authority's 1/3 ownership of VC Summer.

Note 3: CC designates Combined-Cycle units

EXHIBIT A

REVISED
EXHIBIT MAJ-1
Page 2 of 2

SOUTH CAROLINA ELECTRIC & GAS COMPANY
FUEL COSTS REPORT

LINE NO.		2007 FORECAST					OCTOBER
		MAY	JUNE	JULY	AUGUST	SEPTEMBER	
		\$	\$	\$	\$	\$	\$
1.	TOTAL COST OF FOSSIL FUEL BURNED	39,005,000	51,242,000	61,255,000	81,363,000	43,828,000	34,174,000
2.	NUCLEAR FUEL	2,038,000	1,952,000	2,016,000	2,016,000	1,952,000	2,038,000
3.	PURCHASED AND INTERCHANGE POWER FUEL COSTS	12,435,000	14,996,000	17,186,000	15,899,000	11,859,000	11,202,000
4.	LESS FUEL RECOVERED THROUGH INTERSYSTEM SALES	<u>6,436,000</u>	<u>7,888,000</u>	<u>10,305,000</u>	<u>11,082,000</u>	<u>7,885,000</u>	<u>5,142,000</u>
5.	TOTAL FUEL COSTS (LINES 1+2+3-4)	47,042,000	60,202,000	70,152,000	68,196,000	49,752,000	42,272,000
6.	TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,808,000,000	2,141,000,000	2,357,000,000	2,386,000,000	2,202,000,000	1,899,000,000
7.	FOSSIL FUEL COST PER KWH SALES	0.026019	0.028119	0.029763	0.028582	0.022594	0.022280
8.	LESS BASE COST PER KWH INCLUDED IN RATES	0.026300	0.026300	0.026300	0.026300	0.026300	0.026300
9.	FOSSIL FUEL ADJUSTMENT PER KWH	(0.00028)	0.00182	0.00346	0.00228	(0.00371)	(0.00404)
10.	RETAIL KWH	1,683,000,000	2,003,000,000	2,202,000,000	2,238,000,000	2,073,000,000	1,785,000,000
11.	OVER/UNDER RECOVERY REVENUE	(471,240)	3,645,460	7,618,920	5,102,640	(7,690,830)	(7,211,400)
12.	MONTHLY CARRYING COST COLLECTED	87,792	80,478	73,160	55,844	58,528	51,212
13.	ADJUSTMENTS	0	0	0	0	0	0
14.	FIXED CAPACITY CHARGES	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)
15.	NET OVER/UNDER RECOVERY REVENUE	(1,867,031)	2,142,353	6,108,487	3,584,901	(9,215,885)	(8,743,771)
16.	CUMULATIVE UNDER(OVER) \$38,468,549	36,501,518	38,643,871	44,752,368	48,337,269	39,121,384	30,377,813

LINE NO.

LINE NO.	2007 - 2008 FORECAST						
	NOVEMBER \$	DECEMBER \$	JANUARY \$	FEBRUARY \$	MARCH \$	APRIL \$	
1.	TOTAL COST OF FOSSIL FUEL BURNED	39,565,000	41,347,000	43,807,000	34,206,000	36,978,000	32,721,000
2.	NUCLEAR FUEL	1,869,000	2,038,000	2,038,000	1,905,000	2,038,000	1,707,000
4.	LESS FUEL RECOVERED THROUGH INTERSYSTEM SALES	6,974,000	11,928,000	12,145,000	12,025,000	10,061,000	12,134,000
5.	TOTAL FUEL COSTS (LINES 1+2+3-4)	5,283,000	7,482,000	7,332,000	4,701,000	5,156,000	5,566,000
6.	TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	43,225,000	47,831,000	50,658,000	43,435,000	43,921,000	40,996,000
7.	FOSSIL FUEL COST PER KWH SALES	1,688,000,000	1,879,000,000	2,051,000,000	1,941,000,000	1,823,000,000	1,731,000,000
8.	LESS BASE COST PER KWH INCLUDED IN RATES	0.025441	0.025456	0.024699	0.022378	0.024093	0.023683
9.	FOSSIL FUEL ADJUSTMENT PER KWH	0.026300	0.026300	0.026300	0.026300	0.026300	0.026300
10.	OVER/UNDER RECOVERY REVENUE KWH	(0.00086)	(0.00084)	(0.00160)	(0.00392)	(0.00221)	(0.00262)
11.	OVER/UNDER RECOVERY REVENUE	1,588,000,000	1,750,000,000	1,917,000,000	1,824,000,000	1,706,000,000	1,820,000,000
12.	MONTHLY CARRYING COST COLLECTED	(1,365,660)	(1,470,000)	(3,067,200)	(7,150,080)	(3,770,260)	(4,244,400)
13.	ADJUSTMENTS	43,896	36,580	29,264	21,948	14,632	7,316
14.	FIXED CAPACITY CHARGES	0	0	0	0	0	0
15.	NET OVER/UNDER RECOVERY REVENUE	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)
16.	CUMULATIVE UNDER(OVER) \$30,377,613	(2,906,367)	(3,017,003)	(4,621,519)	(6,711,715)	(5,339,211)	(5,820,667)
		27,472,246	24,455,243	19,833,724	11,122,009	5,782,798	(37,869)

EXHIBIT B

Exhibit No. ____ (JRH-2)
(REVISED)

EXHIBIT CExhibit No. ____ (JRH-3)
(REVISED)**SOUTH CAROLINA ELECTRIC & GAS COMPANY
CALCULATION OF BASE FUEL COMPONENT****FORECAST
MAY 07 - APR 08
12 MONTHS****1. PROJECTED DATA:**

COST OF FUEL (\$000)	
SYSTEM SALES (GWH)	\$607,682
FUEL RATE (CENTS/KWH)	23,917
	2.540

2. (OVER)/UNDER COLLECTION (\$000) THROUGH APRIL 2007

SOUTH CAROLINA RETAIL SALES (GWH)	\$38,469
(OVER)/UNDER COLLECTION RATE (CENTS/KWH)	22,389
	0.172

3. BASE FUEL RATE (CENTS/KWH):

PROJECTED FUEL RATE	2.540
FIXED TRANSPORTATION CHARGE & CARRYING COST RATE (CENTS/KWH)(a)	<u>(0.082)</u>
TOTAL PROJECTED FUEL RATE	2.458
(OVER)/UNDER RECOVERY RATE	<u>0.172</u>
TOTAL PROJECTED BASE FUEL RATE	<u>2.630</u>

Note (a): The calculation for the Fixed Transportation Charge and Carrying Cost Rate is (Fixed Transportation Cost) (\$19,003) plus (Carrying Cost) \$571 divided by (retail sales) 22,389 equals (0.082) (Cents/KWH).

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-2-E

IN RE:

Annual Review of Base Rates for)	CERTIFICATE OF SERVICE
Fuel Costs For South Carolina Electric)	
And Gas Company)	

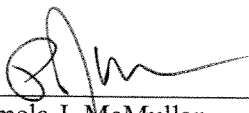
This is to certify that I, Pamela J. McMullan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **REVISED SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Belton T. Zeigler, Esquire
John P. Boyd, Esquire
Haynsworth Sinkler Boyd, P.A.
Post Office Box 11889
Columbia, SC, 29211

Catherine D. Taylor, Esquire
K. Chad Burgess, Esquire
South Carolina Electric and Gas Company
1426 Main Street, M/C 130
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Scott Elliott, Esquire
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Mitchell M. Willoughby, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
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Pamela J. McMullan

March 26, 2007
Columbia, South Carolina